

Cooper-Standard Holdings Inc.  
Form 10-Q  
November 01, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-36127

COOPER-STANDARD HOLDINGS INC.  
(Exact name of registrant as specified in its charter)

Delaware 20-1945088  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
39550 Orchard Hill Place Drive  
Novi, Michigan 48375  
(Address of principal executive offices)  
(Zip Code)  
(248) 596-5900  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 27, 2017 there were 17,530,796 shares of the registrant's common stock, \$0.001 par value, outstanding.

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Form 10-Q  
For the period ended September 30, 2017

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## COOPER-STANDARD HOLDINGS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(Unaudited)

(Dollar amounts in thousands except per share amounts)

|                                                          | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|----------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-------------|
|                                                          | 2017                                | 2016      | 2017                               | 2016        |
| Sales                                                    | \$869,016                           | \$855,656 | \$2,680,212                        | \$2,597,457 |
| Cost of products sold                                    | 718,187                             | 690,984   | 2,187,058                          | 2,101,000   |
| Gross profit                                             | 150,829                             | 164,672   | 493,154                            | 496,457     |
| Selling, administration & engineering expenses           | 94,145                              | 92,368    | 267,883                            | 268,498     |
| Amortization of intangibles                              | 3,432                               | 3,457     | 10,563                             | 9,974       |
| Impairment charges                                       | —                                   | —         | 4,270                              | —           |
| Restructuring charges                                    | 9,909                               | 10,430    | 28,220                             | 33,468      |
| Other operating loss                                     | —                                   | —         | —                                  | 155         |
| Operating profit                                         | 43,343                              | 58,417    | 182,218                            | 184,362     |
| Interest expense, net of interest income                 | (10,256 )                           | (10,114 ) | (31,788 )                          | (29,861 )   |
| Equity in earnings of affiliates                         | 660                                 | 1,386     | 3,735                              | 5,823       |
| Loss on refinancing and extinguishment of debt           | —                                   | —         | (1,020 )                           | —           |
| Other expense, net                                       | (451 )                              | (518 )    | (3,275 )                           | (8,589 )    |
| Income before income taxes                               | 33,296                              | 49,171    | 149,870                            | 151,735     |
| Income tax expense                                       | 7,838                               | 12,525    | 40,258                             | 43,312      |
| Net income                                               | 25,458                              | 36,646    | 109,612                            | 108,423     |
| Net income attributable to noncontrolling interests      | (818 )                              | (284 )    | (2,810 )                           | (549 )      |
| Net income attributable to Cooper-Standard Holdings Inc. | \$24,640                            | \$36,362  | \$106,802                          | \$107,874   |
| Earnings per share:                                      |                                     |           |                                    |             |
| Basic                                                    | \$1.39                              | \$2.08    | \$6.01                             | \$6.20      |
| Diluted                                                  | \$1.32                              | \$1.94    | \$5.67                             | \$5.77      |

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)  
 (Dollar amounts in thousands)

|                                                                    | Three Months<br>Ended September<br>30, |          | Nine Months Ended<br>September 30, |           |
|--------------------------------------------------------------------|----------------------------------------|----------|------------------------------------|-----------|
|                                                                    | 2017                                   | 2016     | 2017                               | 2016      |
| Net income                                                         | \$25,458                               | \$36,646 | \$109,612                          | \$108,423 |
| Other comprehensive income (loss):                                 |                                        |          |                                    |           |
| Currency translation adjustment                                    | 16,535                                 | 2,663    | 41,204                             | 12,330    |
| Benefit plan liabilities adjustment, net of tax                    | 3,963                                  | (149)    | 1,235                              | (620)     |
| Fair value change of derivatives, net of tax                       | (966)                                  | 1,881    | 617                                | (605)     |
| Other comprehensive income, net of tax                             | 19,532                                 | 4,395    | 43,056                             | 11,105    |
| Comprehensive income                                               | 44,990                                 | 41,041   | 152,668                            | 119,528   |
| Comprehensive income attributable to noncontrolling interests      | (1,306)                                | (266)    | (3,891)                            | (317)     |
| Comprehensive income attributable to Cooper-Standard Holdings Inc. | \$43,684                               | \$40,775 | \$148,777                          | \$119,211 |

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Dollar amounts in thousands except share amounts)

|                                                                                                                                                                                                                                      | September<br>30, 2017<br>(unaudited) | December<br>31, 2016 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| Assets                                                                                                                                                                                                                               |                                      |                      |
| Current assets:                                                                                                                                                                                                                      |                                      |                      |
| Cash and cash equivalents                                                                                                                                                                                                            | \$372,984                            | \$480,092            |
| Accounts receivable, net                                                                                                                                                                                                             | 571,515                              | 460,503              |
| Tooling receivable                                                                                                                                                                                                                   | 111,543                              | 90,974               |
| Inventories                                                                                                                                                                                                                          | 179,470                              | 146,449              |
| Prepaid expenses                                                                                                                                                                                                                     | 42,685                               | 37,142               |
| Other current assets                                                                                                                                                                                                                 | 97,845                               | 81,021               |
| Total current assets                                                                                                                                                                                                                 | 1,376,042                            | 1,296,181            |
| Property, plant and equipment, net                                                                                                                                                                                                   | 916,496                              | 832,269              |
| Goodwill                                                                                                                                                                                                                             | 170,765                              | 167,441              |
| Intangible assets, net                                                                                                                                                                                                               | 72,060                               | 81,363               |
| Other assets                                                                                                                                                                                                                         | 100,233                              | 114,448              |
| Total assets                                                                                                                                                                                                                         | \$2,635,596                          | \$2,491,702          |
| Liabilities and Equity                                                                                                                                                                                                               |                                      |                      |
| Current liabilities:                                                                                                                                                                                                                 |                                      |                      |
| Debt payable within one year                                                                                                                                                                                                         | \$32,448                             | \$33,439             |
| Accounts payable                                                                                                                                                                                                                     | 491,202                              | 475,426              |
| Payroll liabilities                                                                                                                                                                                                                  | 138,127                              | 144,812              |
| Accrued liabilities                                                                                                                                                                                                                  | 123,955                              | 105,665              |
| Total current liabilities                                                                                                                                                                                                            | 785,732                              | 759,342              |
| Long-term debt                                                                                                                                                                                                                       | 722,557                              | 729,480              |
| Pension benefits                                                                                                                                                                                                                     | 178,406                              | 172,950              |
| Postretirement benefits other than pensions                                                                                                                                                                                          | 56,876                               | 54,225               |
| Other liabilities                                                                                                                                                                                                                    | 47,859                               | 53,914               |
| Total liabilities                                                                                                                                                                                                                    | 1,791,430                            | 1,769,911            |
| 7% Cumulative participating convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding                                                                                           | —                                    | —                    |
| Equity:                                                                                                                                                                                                                              |                                      |                      |
| Common stock, \$0.001 par value, 190,000,000 shares authorized; 19,602,827 shares issued and 17,596,621 shares outstanding as of September 30, 2017, and 19,686,917 shares issued and 17,690,611 outstanding as of December 31, 2016 | 17                                   | 17                   |
| Additional paid-in capital                                                                                                                                                                                                           | 513,609                              | 513,934              |
| Retained earnings                                                                                                                                                                                                                    | 502,806                              | 425,972              |
| Accumulated other comprehensive loss                                                                                                                                                                                                 | (200,588)                            | (242,563)            |
| Total Cooper-Standard Holdings Inc. equity                                                                                                                                                                                           | 815,844                              | 697,360              |
| Noncontrolling interests                                                                                                                                                                                                             | 28,322                               | 24,431               |
| Total equity                                                                                                                                                                                                                         | 844,166                              | 721,791              |
| Total liabilities and equity                                                                                                                                                                                                         | \$2,635,596                          | \$2,491,702          |

The accompanying notes are an integral part of these financial statements.



COOPER-STANDARD HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(Unaudited)

(Dollar amounts in thousands except share amounts)

|                                     | Total Equity     |                 |                                  |                      |                                               |                                            |                             |                 |
|-------------------------------------|------------------|-----------------|----------------------------------|----------------------|-----------------------------------------------|--------------------------------------------|-----------------------------|-----------------|
|                                     | Common<br>Shares | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Cooper-Standard<br>Holdings<br>Inc. Equity | Noncontrolling<br>Interests | Total<br>Equity |
| Balance as of<br>December 31, 2016  | 17,690,611       | \$ 17           | \$513,934                        | \$425,972            | \$ (242,563 )                                 | \$ 697,360                                 | \$ 24,431                   | \$721,791       |
| Repurchase of<br>common stock       | (306,072 )       | —               | (7,407 )                         | (24,045 )            | —                                             | (31,452 )                                  | —                           | (31,452 )       |
| Warrant exercises                   | 50,145           | —               | 836                              | —                    | —                                             | 836                                        | —                           | 836             |
| Share-based<br>compensation, net    | 161,937          | —               | 6,246                            | (5,923 )             | —                                             | 323                                        | —                           | 323             |
| Net income                          | —                | —               | —                                | 106,802              | —                                             | 106,802                                    | 2,810                       | 109,612         |
| Other comprehensive<br>income       | —                | —               | —                                | —                    | 41,975                                        | 41,975                                     | 1,081                       | 43,056          |
| Balance as of<br>September 30, 2017 | 17,596,621       | \$ 17           | \$513,609                        | \$502,806            | \$ (200,588 )                                 | \$ 815,844                                 | \$ 28,322                   | \$844,166       |

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(Dollar amounts in thousands)

|                                                                                   | Nine Months Ended<br>September 30, |            |
|-----------------------------------------------------------------------------------|------------------------------------|------------|
|                                                                                   | 2017                               | 2016       |
| Operating Activities:                                                             |                                    |            |
| Net income                                                                        | \$ 109,612                         | \$ 108,423 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |            |
| Depreciation                                                                      | 88,850                             | 81,725     |
| Amortization of intangibles                                                       | 10,563                             | 9,974      |
| Impairment charges                                                                | 4,270                              | —          |
| Share-based compensation expense                                                  | 19,006                             | 18,533     |
| Equity in earnings of affiliates, net of dividends related to earnings            | 1,647                              | (2,801 )   |
| Loss on refinancing and extinguishment of debt                                    | 1,020                              | —          |
| Other                                                                             | 14,706                             | 1,396      |
| Changes in operating assets and liabilities                                       | (145,124 )                         | (35,205 )  |
| Net cash provided by operating activities                                         | 104,550                            | 182,045    |
| Investing activities:                                                             |                                    |            |
| Capital expenditures                                                              | (137,446 )                         | (116,788 ) |
| Acquisition of businesses, net of cash acquired                                   | (478 )                             | (37,478 )  |
| Cash from consolidation of joint venture                                          | —                                  | 3,395      |
| Proceeds from sale of fixed assets and other                                      | 1,236                              | 156        |
| Net cash used in investing activities                                             | (136,688 )                         | (150,715 ) |
| Financing activities:                                                             |                                    |            |
| Principal payments on long-term debt                                              | (15,616 )                          | (9,787 )   |
| Increase in short-term debt, net                                                  | 6,070                              | 1,703      |
| Repurchase of common stock                                                        | (30,680 )                          | (23,800 )  |
| Proceeds from exercise of warrants                                                | 836                                | 2,498      |
| Taxes withheld and paid on employees' share based payment awards                  | (11,949 )                          | (11,979 )  |
| Other                                                                             | (795 )                             | 101        |
| Net cash used in financing activities                                             | (52,134 )                          | (41,264 )  |
| Effects of exchange rate changes on cash and cash equivalents                     | (22,836 )                          | (7,880 )   |
| Changes in cash and cash equivalents                                              | (107,108 )                         | (17,814 )  |
| Cash and cash equivalents at beginning of period                                  | 480,092                            | 378,243    |
| Cash and cash equivalents at end of period                                        | \$ 372,984                         | \$ 360,429 |
| The accompanying notes are an integral part of these financial statements.        |                                    |            |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

1. Overview

Basis of Presentation

Cooper-Standard Holdings Inc. (together with its consolidated subsidiaries, the “Company” or “Cooper Standard”), through its wholly-owned subsidiary, Cooper-Standard Automotive Inc. (“CSA U.S.”), is a leading manufacturer of sealing, fuel and brake delivery, fluid transfer, and anti-vibration systems. The Company’s products are primarily for use in passenger vehicles and light trucks that are manufactured by global automotive original equipment manufacturers (“OEMs”) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Annual Report”), as filed with the SEC. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“U.S. GAAP”) for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. The operating results for the interim period ended September 30, 2017 are not necessarily indicative of results for the full year. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Recently Adopted Accounting Pronouncements

In the first quarter of 2017, the Company adopted Accounting Standards Update (“ASU”) 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This ASU amended the guidelines for the measurement of inventory from lower of cost or market to the lower of cost and net realizable value. This new guidance has been adopted prospectively and had an immaterial impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements. In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. This guidance clarifies that modification accounting is required only if there is a change in the fair value, vesting conditions, or classification (as equity or liability) of a share-based payment award due to changes in the terms or conditions. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This guidance requires the service cost component of net periodic benefit cost to be recorded in the same income statement line item as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost must be presented separately outside of operating income. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance eliminates the requirement to calculate the implied fair value of goodwill to

measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. This guidance is effective for annual and interim reporting periods beginning after December 15, 2019. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This guidance will require companies to recognize the income tax effects of intercompany sales and transfers of assets other than inventory in the period in which the transfer occurs. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017, and should be applied on a modified retrospective approach with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments provide guidance on eight specific cash flow issues, thereby reducing diversity in practice. The amendments are effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The guidance requires companies to use a retrospective transition method upon adoption. The Company's current accounting practices are consistent with the issues addressed by this guidance. Therefore, this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance revises existing U.S. GAAP by requiring lessees to recognize right-of-use assets and lease liabilities for all leases (except for short-term leases). The standard also requires additional disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from lease transactions. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018. A modified retrospective transition approach is required with certain practical expedients available. The Company continues to perform a comprehensive evaluation on the impacts of adopting this standard and plans on adopting this ASU effective January 1, 2019. The Company believes this standard will primarily result in an increase in the assets and liabilities on its consolidated balance sheet and will not have a material impact on its consolidated income statement.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance prescribes a single, common revenue standard that replaces most existing revenue recognition guidance in U.S. GAAP. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded revenue disclosures.

Several ASUs addressing revenue recognition have been issued since the issuance of ASU 2014-09. These ASUs, which modify certain sections of ASU 2014-09, are intended to promote a more consistent interpretation and application of the principles outlined in the standard. The Company will adopt the guidance effective January 1, 2018, the standard's effective date, using the modified retrospective method. Under this method, the cumulative effect of adopting the standard is recognized in equity at the date of initial application.

To assess the impact of the new standard, the Company developed a comprehensive project plan. This project plan includes analyzing the standard's impact on customer contracts across the Company's business segments, comparing its historical accounting policies and practices to the requirements of the new standard, and identifying potential differences from applying the new standard's requirements. The Company has substantially completed its assessment and does not expect that adopting the new standard will have a material impact on its consolidated financial statements. As a result, it expects to recognize substantially all of its revenue at a point in time, generally when products are either shipped or delivered. The Company will finalize its evaluation of the effect on its consolidated financial statements during the fourth quarter of 2017.

The Company has completed its evaluation of pre-production costs related to long-term supply arrangements, such as reimbursable tooling, and expects to continue accounting for pre-production costs in accordance with existing

guidance. In addition, the Company's internal control framework is not expected to significantly change. Instead, existing internal controls will be modified and augmented, as necessary. While implementing the new standard, the Company will continue to monitor FASB activities and interpretations of various non-authoritative industry groups for any possible impact on the Company's findings.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Unaudited)  
(Dollar amounts in thousands except per share and share amounts)

## 2. Acquisitions

### AMI Acquisition

In 2016, the Company acquired the North American fuel and brake business of AMI Industries (the “AMI Business”) for cash consideration of \$32,000 (the “AMI Acquisition”). This acquisition directly aligns with the Company’s growth strategy by expanding the Company’s fuel and brake business. The results of operations of the AMI Business are included in the Company’s condensed consolidated financial statements from the date of acquisition, August 15, 2016, and reported within the North America segment. This acquisition was accounted for as a business combination, resulting in the recognition of intangible assets of \$19,410 and goodwill of \$7,175 in 2016. In the second quarter of 2017, the Company agreed to purchase the China fuel and brake business of AMI Industries, which is subject to regulatory approval.

### Other Acquisitions

In 2016, the Company acquired a business in furtherance of the Company’s China operations. The total purchase price of the acquisition was \$5,478, of which \$3,020 was paid during the first quarter of 2016 and \$2,458 was paid in the third quarter of 2016. The Company recognized \$2,972 of goodwill in 2016 as a result of this acquisition.

Also in 2016, the Company obtained control of its 51%-owned joint venture, Shenya Sealing (Guangzhou) Company Limited (“Guangzhou”) through an amendment of the joint venture governing document. This joint venture was previously accounted for as an investment under the equity method. The results of operations of Guangzhou are included in the Company’s consolidated financial statements from the date of consolidation, August 4, 2016, and reported within the Asia Pacific segment. Business combination accounting was completed, resulting in the recognition of intangible assets of \$6,605 and goodwill of \$9,741 in 2016. There was no gain or loss recognized on the remeasurement of the Company’s equity method investment in Guangzhou.

## 3. Restructuring

On an ongoing basis, the Company evaluates its business and objectives to ensure that it is properly configured and sized based on changing market conditions. Accordingly, the Company has implemented several restructuring initiatives, including closure or consolidation of facilities throughout the world and the reorganization of its operating structure.

In January 2015, the Company announced its intention to further restructure its European manufacturing footprint based on anticipated market demands. The total estimated cost of this initiative, which is expected to be substantially completed by the end of 2017, is approximately \$120,000 to \$125,000, of which approximately \$107,000 has been incurred to date. We expect to incur total employee separation costs of approximately \$63,000 to \$66,000, other related exit costs of approximately \$56,000 to \$58,000 and non-cash asset impairments related to restructuring activities of approximately \$500.

The Company’s restructuring charges consist of severance, retention and outplacement services, and severance-related postemployment benefits (collectively, “employee separation costs”), other related exit costs and asset impairments related to restructuring activities.

Restructuring expense by segment for the three and nine months ended September 30, 2017 and 2016 was as follows:

|               | Three Months  |          | Nine Months     |          |
|---------------|---------------|----------|-----------------|----------|
|               | Ended         |          | Ended September |          |
|               | September 30, |          | 30,             |          |
|               | 2017          | 2016     | 2017            | 2016     |
| North America | \$2,503       | \$306    | \$3,320         | \$1,661  |
| Europe        | 6,236         | 9,691    | 22,341          | 30,184   |
| Asia Pacific  | 1,170         | 433      | 2,559           | 1,623    |
| Total         | \$9,909       | \$10,430 | \$28,220        | \$33,468 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

Restructuring activity for the nine months ended September 30, 2017 was as follows:

|                                        | Employee<br>Separation<br>Costs | Other<br>Exit<br>Costs | Total     |
|----------------------------------------|---------------------------------|------------------------|-----------|
| Balance as of December 31, 2016        | \$ 21,927                       | \$ 2,311               | \$ 24,238 |
| Expense                                | 14,991                          | 13,229                 | 28,220    |
| Cash payments                          | (22,224 )                       | (11,811)               | (34,035 ) |
| Foreign exchange translation and other | 1,769                           | 450                    | 2,219     |
| Balance as of September 30, 2017       | \$ 16,463                       | \$ 4,179               | \$ 20,642 |

#### 4. Inventories

Inventories consist of the following:

|                            | September 30,<br>2017 | December 31,<br>2016 |
|----------------------------|-----------------------|----------------------|
| Finished goods             | \$ 48,596             | \$ 43,511            |
| Work in process            | 39,499                | 32,839               |
| Raw materials and supplies | 91,375                | 70,099               |
|                            | \$ 179,470            | \$ 146,449           |

#### 5. Property, Plant and Equipment

Property, plant and equipment consists of the following:

|                                    | September 30,<br>2017 | December 31,<br>2016 |
|------------------------------------|-----------------------|----------------------|
| Land and improvements              | \$ 72,737             | \$ 71,002            |
| Buildings and improvements         | 293,257               | 265,824              |
| Machinery and equipment            | 998,643               | 864,337              |
| Construction in progress           | 184,991               | 153,924              |
|                                    | 1,549,628             | 1,355,087            |
| Accumulated depreciation           | (633,132 )            | (522,818 )           |
| Property, plant and equipment, net | \$ 916,496            | \$ 832,269           |

#### Impairment of Long-Lived Assets

Due to the Company's decision to divest two of its inactive European sites, the Company recorded impairment charges of \$4,270 in the nine months ended September 30, 2017. Fair value was determined based on current real estate market conditions.

#### 6. Goodwill and Intangible Assets

##### Goodwill

Changes in the carrying amount of goodwill by reportable operating segment for the nine months ended September 30, 2017 were as follows:

|                                  | North America | Europe    | Asia Pacific | Total      |
|----------------------------------|---------------|-----------|--------------|------------|
| Balance as of December 31, 2016  | \$ 121,996    | \$ 10,753 | \$ 34,692    | \$ 167,441 |
| Acquisition                      | —             | 236       | —            | 236        |
| Foreign exchange translation     | 240           | 1,259     | 1,589        | 3,088      |
| Balance as of September 30, 2017 | \$ 122,236    | \$ 12,248 | \$ 36,281    | \$ 170,765 |

Goodwill is tested for impairment by reporting unit annually or more frequently if events or circumstances indicate that an impairment may exist. There were no indicators of potential impairment during the nine months ended September 30, 2017.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
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(Dollar amounts in thousands except per share and share amounts)

Intangible Assets

Intangible assets and accumulated amortization balances as of September 30, 2017 and December 31, 2016 were as follows:

|                                  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
|----------------------------------|-----------------------------|-----------------------------|---------------------------|
| Customer relationships           | \$135,680                   | \$ (83,044 )                | \$ 52,636                 |
| Developed technology             | 9,144                       | (9,053 )                    | 91                        |
| Other                            | 21,863                      | (2,530 )                    | 19,333                    |
| Balance as of September 30, 2017 | \$166,687                   | \$ (94,627 )                | \$ 72,060                 |

|                                 |           |              |           |
|---------------------------------|-----------|--------------|-----------|
| Customer relationships          | \$134,918 | \$ (73,088 ) | \$ 61,830 |
| Developed technology            | 8,762     | (8,386 )     | 376       |
| Other                           | 20,965    | (1,808 )     | 19,157    |
| Balance as of December 31, 2016 | \$164,645 | \$ (83,282 ) | \$ 81,363 |

7. Debt

A summary of outstanding debt as of September 30, 2017 and December 31, 2016 was as follows:

|                      | September 30,<br>2017 | December 31,<br>2016 |
|----------------------|-----------------------|----------------------|
| Senior Notes         | \$ 393,505            | \$ 393,060           |
| Term Loan            | 331,382               | 332,827              |
| Other borrowings     | 30,118                | 37,032               |
| Total debt           | 755,005               | 762,919              |
| Less current portion | (32,448 )             | (33,439 )            |
| Total long-term debt | \$ 722,557            | \$ 729,480           |

5.625% Senior Notes due 2026

In November 2016, the Company issued \$400,000 aggregate principal amount of its 5.625% Senior Notes due 2026 (the "Senior Notes"). The Senior Notes mature on November 15, 2026. Interest on the Senior Notes is payable semi-annually in arrears in cash on May 15 and November 15 of each year, commencing on May 15, 2017.

Debt issuance costs related to the Senior Notes are amortized into interest expense over the term of the Senior Notes. As of September 30, 2017 and December 31, 2016, the Company has \$6,495 and \$6,940 of unamortized debt issuance costs, respectively, related to the Senior Notes, which are presented as direct deductions from the principal balance in the condensed consolidated balance sheets.

Term Loan Facility

Also in November 2016, the Company entered into Amendment No. 1 to its senior term loan facility ("Term Loan Facility"), which provides for loans in an aggregate principal amount of \$340,000. Subject to certain conditions, the Term Loan Facility, without the consent of the then-existing lenders (but subject to the receipt of commitments), may be expanded (or a new term loan or revolving facility added) by an amount that will not cause the consolidated secured net debt ratio to exceed 2.25 to 1.00 plus \$400,000 plus any voluntary prepayments, including the senior asset-based revolving credit facility ("ABL Facility") to the extent commitments are reduced, not funded from proceeds of long-term indebtedness. The Term Loan Facility matures on November 2, 2023, unless earlier terminated.

On May 2, 2017, the Company entered into Amendment No. 2 to the Term Loan Facility to modify the interest rate. In accordance with this amendment, borrowings under the Term Loan Facility bear interest, at the Company's option, at either (1) with respect to Eurodollar rate loans, the greater of the applicable Eurodollar rate and 0.75%, plus 2.25% per annum, or (2) with respect to base rate loans, the base rate (which is the highest of the then-current federal funds rate plus 0.5%, the prime rate most recently announced by the administrative agent under the term loan, and the one-month Eurodollar rate plus 1.0%), plus 1.25% per annum. As a result of the amendment, the Company recognized a loss on

refinancing and extinguishment of

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

debt of \$1,020 in the second quarter of 2017, which was due to the partial write off of new and unamortized debt issuance costs and unamortized original issue discount.

As of September 30, 2017 and December 31, 2016, the Company had \$3,689 and \$4,352 of unamortized debt issuance costs, respectively, and \$2,379 and \$2,821 of unamortized original issue discount, respectively, related to the Term Loan Facility, which are presented as direct deductions from the principal balance in the condensed consolidated balance sheets. Both the debt issuance costs and the original issue discount are amortized into interest expense over the term of the Term Loan Facility.

**ABL Facility**

In November 2016, the Company entered into a \$210,000 Third Amended and Restated Loan Agreement of its senior asset-based revolving credit facility ("ABL Facility").

The ABL Facility provides for an aggregate revolving loan availability of up to \$210,000, subject to borrowing base availability, including a \$100,000 letter of credit sub-facility and a \$25,000 swing line sub-facility. The ABL Facility also provides for an uncommitted \$100,000 incremental loan facility, for a potential total ABL Facility of \$310,000, if requested by the borrowers under the ABL Facility and the lenders agree to fund such increase. No consent of any lender is required to effect any such increase, except for those participating in the increase. As of September 30, 2017, there were no borrowings under the ABL Facility, and subject to borrowing base availability, the Company had \$197,074 in availability, less outstanding letters of credit of \$8,542.

Any borrowings under our ABL Facility will mature, and the commitments of the lenders under our ABL Facility will terminate, on November 2, 2021.

As of September 30, 2017 and December 31, 2016, the Company had \$1,440 and \$1,706, respectively, of unamortized debt issuance costs related to the ABL Facility, which are presented in other assets in the condensed consolidated balance sheets.

**Debt Covenants**

The Company was in compliance with all covenants of the Senior Notes, Term Loan Facility and ABL Facility, as of September 30, 2017.

**Other**

Other borrowings reflect borrowings under capital leases, local bank lines and accounts receivable factoring sold with recourse classified in debt payable within one year on the condensed consolidated balance sheets.

**8. Fair Value Measurements and Financial Instruments**

**Fair Value Measurements**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy is utilized, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

## Items Measured at Fair Value on a Recurring Basis

Estimates of the fair value of foreign currency and interest rate derivative instruments are determined using exchange traded prices and rates. The Company also considers the risk of non-performance in the estimation of fair value and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. In certain instances where market data is not available, the Company uses management judgment to develop assumptions that are used to determine fair value. Fair value measurements and the fair value hierarchy level for the Company's assets and liabilities measured or disclosed at fair value on a recurring basis as of September 30, 2017 and December 31, 2016 was as follows:

|                                                           | September 30, December 31, |          | Input   |
|-----------------------------------------------------------|----------------------------|----------|---------|
|                                                           | 2017                       | 2016     |         |
| Forward foreign exchange contracts - other current assets | \$ 888                     | \$ 764   | Level 2 |
| Forward foreign exchange contracts - accrued liabilities  | (1,140 )                   | (535 )   | Level 2 |
| Interest rate swaps - accrued liabilities                 | (1,090 )                   | (2,458 ) | Level 2 |
| Interest rate swaps - other liabilities                   | —                          | (661 )   | Level 2 |

## Items Measured at Fair Value on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, the Company measures certain assets and liabilities at fair value on a nonrecurring basis, which are not included in the table above. As these nonrecurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. For further information on assets and liabilities measured at fair value on a nonrecurring basis see Note 2. "Acquisitions," Note 3. "Restructuring" and Note 5. "Property, Plant and Equipment."

## Items Not Carried At Fair Value

Fair values of the Company's debt instruments were as follows:

|                                         | September 30, December 31, |            |
|-----------------------------------------|----------------------------|------------|
|                                         | 2017                       | 2016       |
| Aggregate fair value                    | \$ 746,746                 | \$ 735,850 |
| Aggregate carrying value <sup>(1)</sup> | 737,450                    | 740,000    |

<sup>(1)</sup> Excludes unamortized debt issuance costs and unamortized original issue discount.

Fair values were based on quoted market prices and are classified within Level 1 of the fair value hierarchy.

## Derivative Instruments and Hedging Activities

The Company is exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Company enters into derivative instruments primarily to hedge portions of its forecasted foreign currency denominated cash flows and designates these derivative instruments as cash flow hedges in order to qualify for hedge accounting. Gains or losses on derivative instruments resulting from hedge ineffectiveness are reported in earnings. The Company formally documents its hedge relationships, including the identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the cash flow hedges. The Company also formally assesses whether a cash flow hedge is highly effective in offsetting changes in the cash flows of the hedged item. Derivatives are recorded at fair value in other current assets, other assets, accrued liabilities and other long-term liabilities. For a cash flow hedge, the effective portion of the change in fair value of the derivative is recorded in accumulated other comprehensive income (loss) ("AOCI") in the consolidated balance sheet and reclassified into earnings when the underlying hedged transaction is realized. The realized gains and losses are recorded on the same line as the hedged transaction in the consolidated statements of net income.

The Company is exposed to credit risk in the event of nonperformance by its counterparties on its derivative financial instruments. The Company mitigates this credit risk exposure by entering into agreements directly with major financial institutions with high credit standards that are expected to fully satisfy their obligations under the contracts.

## Cash Flow Hedges

**Forward Foreign Exchange Contracts**—The Company uses forward contracts to mitigate the potential volatility to earnings and cash flow arising from changes in currency exchange rates that impact the Company's foreign currency

transactions. The principal currencies hedged by the Company include various European currencies, the Canadian Dollar, the Mexican Peso, and

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Unaudited)

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the Brazilian Real. As of September 30, 2017, the notional amount of these contracts was \$107,053 and consisted of hedges of transactions up to September 2018.

Interest rate swaps - The Company uses interest rate swap transactions to manage cash flow variability associated with its variable rate Term Loan Facility. The interest rate swap contracts, which fix the interest payments of variable rate debt instruments, are used to manage exposure to fluctuations in interest rates. As of September 30, 2017, the notional amount of these contracts was \$150,000, with maturities through September 2018. The fair market value of all outstanding interest rate swap contracts is subject to change due to fluctuations in interest rates.

Pretax amounts related to the Company's cash flow hedges that were recognized in AOCI were as follows:

|                                    | Gain (Loss) Recognized in<br>AOCI                    |       |                                               |           |
|------------------------------------|------------------------------------------------------|-------|-----------------------------------------------|-----------|
|                                    | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |       | Nine Months<br>Ended September<br>30,<br>2016 |           |
| Forward foreign exchange contracts | 2017                                                 | 2016  | 2017                                          | 2016      |
|                                    | \$(763)                                              | \$854 | \$1,860                                       | \$(3,384) |
| Interest rate swaps                | 22                                                   | 131   | (27)                                          | (2,123)   |
| Total                              | \$(741)                                              | \$985 | \$1,833                                       | \$(5,507) |

Pretax amounts related to the Company's cash flow hedges that were reclassified from AOCI were as follows:

|                                    |                                          | Gain (Loss)<br>Reclassified<br>from AOCI to<br>Income<br>(Effective<br>Portion)<br>Three Months Ended September<br>30, |           | Gain (Loss)<br>Reclassified<br>from AOCI to<br>Income<br>(Ineffective<br>Portion)<br>Three Months Ended September<br>30, |      |
|------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------|------|
|                                    | Classification                           | 2017                                                                                                                   | 2016      | 2017                                                                                                                     | 2016 |
| Forward foreign exchange contracts | Cost of products sold                    | \$915                                                                                                                  | \$(769)   | \$ —                                                                                                                     | \$ — |
| Interest rate swaps                | Interest expense, net of interest income | (570)                                                                                                                  | (803)     | 107                                                                                                                      | —    |
| Total                              |                                          | \$345                                                                                                                  | \$(1,572) | \$ 107                                                                                                                   | \$ — |
|                                    |                                          | Gain (Loss)<br>Reclassified from<br>AOCI to Income<br>(Effective<br>Portion)<br>Nine Months Ended September<br>30,     |           | Gain (Loss)<br>Reclassified<br>from AOCI to<br>Income<br>(Ineffective<br>Portion)<br>Nine Months Ended September<br>30,  |      |
|                                    | Classification                           | 2017                                                                                                                   | 2016      | 2017                                                                                                                     | 2016 |
| Forward foreign exchange contracts | Cost of products sold                    | \$2,371                                                                                                                | \$(2,380) | \$ —                                                                                                                     | \$ — |
| Interest rate swaps                | Interest expense, net of interest income | (2,048)                                                                                                                | (2,393)   | 284                                                                                                                      | —    |
| Total                              |                                          | \$323                                                                                                                  | \$(4,773) | \$ 284                                                                                                                   | \$ — |

The amount of losses to be reclassified from AOCI into income in the next twelve months related to the interest rate swap is expected to be approximately \$1,090.

#### 9. Accounts Receivable Factoring

As a part of its working capital management, the Company sells certain receivables through third party financial institutions with and without recourse. The amount sold varies each month based on the amount of underlying receivables and cash flow needs of the Company. The Company continues to service the receivables. These are permitted transactions under the Company's credit agreement governing the ABL Facility, the Term Loan Facility and the Senior Notes. Costs incurred on the sale of receivables are recorded in other expense, net and interest expense, net of interest income in the condensed consolidated statements of net income. Receivables sold with recourse are accounted for as secured borrowings and are recorded in debt payable within one year, and receivables are pledged equal to the balance of the borrowings. Receivables sold without recourse are accounted for as true sales and are excluded from accounts receivable in the condensed consolidated balance sheet.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
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(Dollar amounts in thousands except per share and share amounts)

Amounts outstanding under receivable transfer agreements entered into by various locations were as follows:

|                  | September 30, 2017 | December 31, 2016 |
|------------------|--------------------|-------------------|
| Without recourse | \$ 62,594          | \$ 56,936         |
| With recourse    | 5,018              | 5,258             |

Accounts receivable factored and related costs were as follows:

|                              | Without Recourse                 |           |                                 |           | With Recourse                    |         |                                 |          |
|------------------------------|----------------------------------|-----------|---------------------------------|-----------|----------------------------------|---------|---------------------------------|----------|
|                              | Three Months Ended September 30, |           | Nine Months Ended September 30, |           | Three Months Ended September 30, |         | Nine Months Ended September 30, |          |
|                              | 2017                             | 2016      | 2017                            | 2016      | 2017                             | 2016    | 2017                            | 2016     |
| Accounts receivable factored | \$98,244                         | \$120,220 | \$390,354                       | \$381,190 | \$6,326                          | \$7,550 | \$20,432                        | \$18,078 |
| Costs                        | 452                              | 391       | 1,517                           | 1,286     | 29                               | 55      | 74                              | 185      |

Repurchase of accounts receivable

During the three months ended September 30, 2017, the Company repurchased \$12,043 of its accounts receivable in Europe that were previously sold to certain third party financial institutions through receivable purchase agreements. In addition, the Company repurchased \$19,378 of its receivables in Europe in October 2017. The repurchases were made as part of the Company's transition to a pan-European program under a single third party financial institution, which is expected to be completed in the fourth quarter of 2017.

#### 10. Pension and Postretirement Benefits Other Than Pensions

The components of net periodic benefit (income) cost for the three and nine months ended September 30, 2017 and 2016 for the Company's defined benefit plans and other postretirement benefit plans were as follows:

|                                                       | Pension Benefits                 |          |         |          |
|-------------------------------------------------------|----------------------------------|----------|---------|----------|
|                                                       | Three Months Ended September 30, |          | 2016    |          |
|                                                       | 2017                             |          | 2016    |          |
|                                                       | U.S.                             | Non-U.S. | U.S.    | Non-U.S. |
| Service cost                                          | \$204                            | \$1,018  | \$202   | \$861    |
| Interest cost                                         | 2,925                            | 1,140    | 3,145   | 1,267    |
| Expected return on plan assets                        | (4,003)                          | (694)    | (3,959) | (788)    |
| Amortization of prior service cost and actuarial loss | 468                              | 760      | 429     | 555      |
| Settlement                                            | —                                | 5,717    | —       | —        |
| Net periodic benefit (income) cost                    | \$(406)                          | \$7,941  | \$(183) | \$1,895  |

|                                                       | Pension Benefits                |          |          |          |
|-------------------------------------------------------|---------------------------------|----------|----------|----------|
|                                                       | Nine Months Ended September 30, |          | 2016     |          |
|                                                       | 2017                            |          | 2016     |          |
|                                                       | U.S.                            | Non-U.S. | U.S.     | Non-U.S. |
| Service cost                                          | \$612                           | \$2,926  | \$606    | \$2,575  |
| Interest cost                                         | 8,775                           | 3,268    | 9,435    | 3,805    |
| Expected return on plan assets                        | (12,009)                        | (2,001)  | (11,877) | (2,367)  |
| Amortization of prior service cost and actuarial loss | 1,404                           | 2,171    | 1,287    | 1,664    |
| Settlement                                            | —                               | 5,717    | —        | —        |
| Net periodic benefit (income) cost                    | \$(1,218)                       | \$12,081 | \$(549)  | \$5,677  |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
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(Dollar amounts in thousands except per share and share amounts)

|                                                         | Other Postretirement Benefits    |          |         |          |
|---------------------------------------------------------|----------------------------------|----------|---------|----------|
|                                                         | Three Months Ended September 30, |          |         |          |
|                                                         | 2017                             | 2016     |         |          |
|                                                         | U.S.                             | Non-U.S. | U.S.    | Non-U.S. |
| Service cost                                            | \$79                             | \$ 110   | \$90    | \$ 94    |
| Interest cost                                           | 324                              | 179      | 346     | 172      |
| Amortization of prior service credit and actuarial gain | (479 )                           | (4 )     | (507 )  | (16 )    |
| Other                                                   | 1                                | —        | 1       | —        |
| Net periodic benefit (income) cost                      | \$(75 )                          | \$ 285   | \$(70 ) | \$ 250   |

|                                                         | Other Postretirement Benefits   |          |         |          |
|---------------------------------------------------------|---------------------------------|----------|---------|----------|
|                                                         | Nine Months Ended September 30, |          |         |          |
|                                                         | 2017                            | 2016     |         |          |
|                                                         | U.S.                            | Non-U.S. | U.S.    | Non-U.S. |
| Service cost                                            | \$237                           | \$ 316   | \$270   | \$ 280   |
| Interest cost                                           | 972                             | 516      | 1,038   | 510      |
| Amortization of prior service credit and actuarial gain | (1,437)                         | (12 )    | (1,521) | (47 )    |
| Other                                                   | 3                               | —        | 3       | —        |
| Net periodic benefit (income) cost                      | \$(225)                         | \$ 820   | \$(210) | \$ 743   |

## U.K Pension Settlement

During 2016, the Company undertook an initiative to de-risk pension obligations in the U.K. by purchasing a bulk annuity policy designed to match the liabilities of the plan, and subsequently entered into a wind-up process. During the three months ended September 30, 2017, the Company completed the wind-up process, resulting in a non-cash settlement charge of \$5,717 and administrative expenses of \$185, both of which are recorded in selling, administration & engineering expenses in the condensed consolidated statements of net income. As a result of the settlement, the Company's overall projected benefit obligation as of December 31, 2016 was reduced by \$17,100.

## Contributions

The Company made a discretionary contribution of \$3,500 to its U.S. pension plan in the three months ended September 30, 2017.

## 11. Other Expense, Net

The components of other expense, net were as follows:

|                                      | Three Months  |               | Nine Months   |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | Ended         | Ended         | Ended         | Ended         |
|                                      | September 30, | September 30, | September 30, | September 30, |
|                                      | 2017          | 2016          | 2017          | 2016          |
| Foreign currency losses              | \$(1,455)     | \$(331)       | \$(4,033)     | \$(2,035)     |
| Secondary offering underwriting fees | —             | —             | —             | (5,900 )      |
| Losses on sales of receivables       | (221 )        | (207 )        | (781 )        | (674 )        |
| Miscellaneous income                 | 1,225         | 20            | 1,539         | 20            |
| Other expense, net                   | \$(451 )      | \$(518)       | \$(3,275)     | \$(8,589)     |

## 12. Income Taxes

The Company determines its effective tax rate each quarter based upon its estimated annual effective tax rate. The Company records the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year where no tax benefit can be recognized are excluded from the estimated annual effective tax rate.



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(Dollar amounts in thousands except per share and share amounts)

Income tax expense, income before income taxes and the corresponding effective tax rate for the three and nine months ended September 30, 2017 and 2016, was as follows:

|                            | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|----------------------------|-------------------------------------|----------|------------------------------------|----------|
|                            | 2017                                | 2016     | 2017                               | 2016     |
| Income tax expense         | \$7,838                             | \$12,525 | \$40,258                           | \$43,312 |
| Income before income taxes | 33,296                              | 49,171   | 149,870                            | 151,735  |
| Effective tax rate         | 24 %                                | 25 %     | 27 %                               | 29 %     |

The effective tax rate for the three and nine months ended September 30, 2017 compared to the three and nine months ended September 30, 2016 was lower primarily due to nonrecurring discrete items, including the impact of participating in a foreign tax amnesty program, recorded in the three and nine months ended September 30, 2017. The income tax rate for the three and nine months ended September 30, 2017 varies from statutory rates primarily due to the impact of income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions to the extent not offset by other categories of income, tax credits, income tax incentives, excess tax benefits related to share-based compensation and other permanent items. Further, the Company's current and future provision for income taxes may be impacted by the recognition of valuation allowances in certain countries. The Company intends to maintain these valuation allowances until it is more likely than not that the deferred tax assets will be realized.

### 13. Net Income Per Share Attributable to Cooper-Standard Holdings Inc.

Basic net income per share attributable to Cooper-Standard Holdings Inc. was computed by dividing net income attributable to Cooper-Standard Holdings Inc. by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share attributable to Cooper-Standard Holdings Inc. was computed using the treasury stock method by dividing diluted net income available to Cooper-Standard Holdings Inc. by the weighted average number of shares of common stock outstanding, including the dilutive effect of common stock equivalents, using the average share price during the period.

Information used to compute basic and diluted net income per share attributable to Cooper-Standard Holdings Inc. was as follows:

|                                                                                   | Three Months<br>Ended September<br>30, |            | Nine Months Ended<br>September 30, |            |
|-----------------------------------------------------------------------------------|----------------------------------------|------------|------------------------------------|------------|
|                                                                                   | 2017                                   | 2016       | 2017                               | 2016       |
| Net income attributable to Cooper-Standard Holdings Inc.                          | \$24,640                               | \$ 36,362  | \$106,802                          | \$107,874  |
| Increase in fair value of share-based awards                                      | —                                      | 37         | —                                  | 49         |
| Diluted net income available to Cooper-Standard Holdings Inc. common stockholders | \$24,640                               | \$ 36,399  | \$106,802                          | \$107,923  |
| Basic weighted average shares of common stock outstanding                         | 17,703,660                             | 17,469,156 | 17,769,808                         | 17,388,541 |
| Dilutive effect of common stock equivalents                                       | 976,858                                | 1,291,507  | 1,068,479                          | 1,315,037  |
| Diluted weighted average shares of common stock outstanding                       | 18,680,518                             | 18,760,663 | 18,838,287                         | 18,703,578 |
| Basic net income per share attributable to Cooper-Standard Holdings Inc.          | \$ 1.39                                | \$ 2.08    | \$ 6.01                            | \$ 6.20    |
| Diluted net income per share attributable to Cooper-Standard Holdings Inc.        | \$ 1.32                                | \$ 1.94    | \$ 5.67                            | \$ 5.77    |

Approximately 107,000 securities were excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2017, because the inclusion of such securities in the calculation would have been anti-dilutive.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

14. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component for the three and nine months ended September 30, 2017 and 2016, net of related tax, were as follows:

|                                                                         | Three Months Ended September 30, 2017               |                                |                                        |                           |
|-------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------|----------------------------------------|---------------------------|
|                                                                         | Cumulative<br>currency<br>translation<br>adjustment | Benefit<br>plan<br>liabilities | Fair value<br>change of<br>derivatives | Total                     |
| Balance as of June 30, 2017                                             | \$(119,405)                                         | \$(100,340)                    | \$ 113                                 | \$(219,632)               |
| Other comprehensive income (loss) before reclassifications              | 16,047                                              | (1) <sup>(1)</sup> (1,714 )    | (2) <sup>(2)</sup> (619 )              | (3) <sup>(3)</sup> 13,714 |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                                                   | 5,677                          | (4) <sup>(4)</sup> (347 )              | (5) <sup>(5)</sup> 5,330  |
| Balance as of September 30, 2017                                        | \$(103,358)                                         | \$(96,377 )                    | \$ (853 )                              | \$(200,588)               |

(1) Includes \$4,314 of other comprehensive income related to intra-entity foreign currency balances that are of a long-term investment nature.

(2) Net of tax benefit of \$130.

(3) Net of tax benefit of \$122. See Note 8.

(4) Includes losses related to the U.K. pension settlement of \$6,288 and actuarial losses of \$901, offset by prior service credits of \$84, net of tax of \$1,428. See Note 10.

(5) Net of tax expense of \$105. See Note 8.

|                                                                         | Three Months Ended September 30, 2016               |                                |                                        |                          |
|-------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------|----------------------------------------|--------------------------|
|                                                                         | Cumulative<br>currency<br>translation<br>adjustment | Benefit<br>plan<br>liabilities | Fair value<br>change of<br>derivatives | Total                    |
| Balance as of June 30, 2016                                             | \$(120,780)                                         | \$(84,595)                     | \$ (4,766 )                            | \$(210,141)              |
| Other comprehensive income (loss) before reclassifications              | 2,681                                               | (1) <sup>(1)</sup> (497 )      | (2) <sup>(2)</sup> 828                 | (3) <sup>(3)</sup> 3,012 |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                                                   | 348                            | (4) <sup>(4)</sup> 1,053               | (5) <sup>(5)</sup> 1,401 |
| Balance as of September 30, 2016                                        | \$(118,099)                                         | \$(84,744)                     | \$ (2,885 )                            | \$(205,728)              |

(1) Includes \$511 of other comprehensive income related to intra-entity foreign currency balances that are of a long-term investment nature.

(2) Net of tax expense of \$46.

(3) Net of tax expense of \$157. See Note 8.

(4) Includes actuarial losses of \$555, offset by prior service credits of \$79, net of tax of \$128. See Note 10.

(5) Net of tax benefit of \$519. See Note 8.

|                                                                         | Nine Months Ended September 30, 2017                |                                |                                        |                           |
|-------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------|----------------------------------------|---------------------------|
|                                                                         | Cumulative<br>currency<br>translation<br>adjustment | Benefit<br>plan<br>liabilities | Fair value<br>change of<br>derivatives | Total                     |
| Balance as of December 31, 2016                                         | \$(143,481)                                         | \$(97,612)                     | \$ (1,470 )                            | \$(242,563)               |
| Other comprehensive income (loss) before reclassifications              | 40,123                                              | (1) <sup>(1)</sup> (5,428 )    | (2) <sup>(2)</sup> 1,242               | (3) <sup>(3)</sup> 35,937 |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                                                   | 6,663                          | (4) <sup>(4)</sup> (625 )              | (5) <sup>(5)</sup> 6,038  |
| Balance as of September 30, 2017                                        | \$(103,358)                                         | \$(96,377)                     | \$ (853 )                              | \$(200,588)               |

(1)

Includes \$10,484 of other comprehensive income related to intra-entity foreign currency balances that are of a long-term investment nature.

(2) Net of tax benefit of \$189.

(3) Net of tax expense of \$591. See Note 8.

(4) Includes losses related to the U.K. pension settlement of \$6,288 and actuarial losses of \$2,443, offset by prior service credits of \$248, net of tax of \$1,820. See Note 10.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

(5) Net of tax benefit of \$18. See Note 8.

|                                                                         | Nine Months Ended September 30, 2016                |                                |                                        |                          |
|-------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------|----------------------------------------|--------------------------|
|                                                                         | Cumulative<br>currency<br>translation<br>adjustment | Benefit<br>plan<br>liabilities | Fair value<br>change of<br>derivatives | Total                    |
| Balance as of December 31, 2015                                         | \$(130,661)                                         | \$(84,124)                     | \$ (2,280 )                            | \$(217,065)              |
| Other comprehensive income (loss) before reclassifications              | 12,562                                              | (1) <sup>(1)</sup> (1,638 )    | (2) <sup>(2)</sup> (3,803 )            | (3) <sup>(3)</sup> 7,121 |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                                                   | 1,018                          | (4) <sup>(4)</sup> 3,198               | (5) <sup>(5)</sup> 4,216 |
| Balance as of September 30, 2016                                        | \$(118,099)                                         | \$(84,744)                     | \$ (2,885 )                            | \$(205,728)              |

(1) Includes \$9,699 of other comprehensive income related to intra-entity foreign currency balances that are of a long-term investment nature.

(2) Net of tax benefit of \$122.

(3) Net of tax benefit of \$1,704. See Note 8.

(4) Includes actuarial losses of \$1,636 offset by prior service credits of \$246, net of tax of \$372. See Note 10.

(5) Net of tax benefit of \$1,575. See Note 8.

## 15. Common Stock

## Share Repurchase Program and Secondary Offering

In March 2016, the Company's Board of Directors approved a securities repurchase program (the "Program") authorizing the Company to repurchase, in the aggregate, up to \$125,000 of its outstanding common stock or warrants to purchase common stock. Under the Program, repurchases may be made on the open market or through private transactions, as determined by the Company's management and in accordance with prevailing market conditions and federal securities laws and regulations. During the nine months ended September 30, 2017, the Company repurchased 306,072 shares at an average purchase price of \$102.76 per share, excluding commissions, for a total cost of \$31,452, of which \$30,680 was settled in cash as of September 30, 2017.

In March 2016, certain selling stockholders affiliated with Silver Point Capital, L.P., Oak Hill Advisors, L.P. and Capital World Investors (the "Selling Stockholders") sold 2,278,031 shares, including overallotments, of the Company's common stock at a public offering price of \$68.00 per share, in a secondary public offering. Of the 2,278,031 shares sold in the offering, 350,000 shares were purchased by the Company for \$23,800. The Company paid the underwriting discounts and commissions payable on the shares sold by the Selling Stockholders, excluding the shares the Company repurchased, resulting in \$5,900 of fees incurred for the nine months ended September 30, 2016, which is included in other expense, net in the condensed consolidated statement of net income. The Company also incurred approximately \$600 of other expenses related to legal and audit services for the nine months ended September 30, 2016, which is included in selling, administration & engineering expenses in the condensed consolidated statement of net income. The Company did not sell or receive any proceeds from the sales of shares by the Selling Stockholders.

As of September 30, 2017, the Company had approximately \$69,700 of repurchase authorization remaining under the Program.

## 16. Share-Based Compensation

The Company's long-term incentive plans allow for the grant of various types of share-based awards to key employees and directors of the Company and its affiliates. The Company generally awards grants on an annual basis.

In February 2017, the Company granted Restricted Stock Units ("RSUs"), Performance Units ("PUs") and stock options. The RSUs cliff vest after three years, the PUs cliff vest at the end of their three-year performance period, and the stock options vest ratably over three years. The number of PUs that will vest depends on the Company's achievement of target performance goals related to the Company's return on invested capital ("ROIC"), which may range from 0% to 200% of the target award amount. The grant-date fair value of the RSUs and PUs was determined using the closing price of the Company's common stock on the date of grant. The grant-date fair value of the stock options was

determined using the Black-Scholes option pricing model.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

Share-based compensation expense was as follows:

|               | Three Months<br>Ended<br>September 30, |         | Nine Months<br>Ended September<br>30, |          |
|---------------|----------------------------------------|---------|---------------------------------------|----------|
|               | 2017                                   | 2016    | 2017                                  | 2016     |
| PUs           | \$4,327                                | \$4,635 | \$9,171                               | \$9,953  |
| RSUs          | 2,052                                  | 2,052   | 6,896                                 | 5,805    |
| Stock options | 933                                    | 953     | 2,939                                 | 2,775    |
| Total         | \$7,312                                | \$7,640 | \$19,006                              | \$18,533 |

#### 17. Related Party Transactions

A summary of the material related party transactions with affiliates accounted for under the equity method was as follows:

|                                   | Three Months<br>Ended<br>September 30, |         | Nine Months<br>Ended September<br>30, |          |
|-----------------------------------|----------------------------------------|---------|---------------------------------------|----------|
|                                   | 2017                                   | 2016    | 2017                                  | 2016     |
| Sales <sup>(1)</sup>              | \$8,288                                | \$9,029 | \$26,124                              | \$26,027 |
| Purchases <sup>(1)</sup>          | 186                                    | 170     | 580                                   | 365      |
| Dividends received <sup>(2)</sup> | —                                      | —       | 5,382                                 | 3,022    |

<sup>(1)</sup> Relates to transactions with Nishikawa Cooper LLC (“NISCO”)

<sup>(2)</sup> From NISCO and Nishikawa Tachaplalert Cooper Ltd.

Amounts receivable from NISCO and Sujana Cooper Standard AVS Private Limited as of September 30, 2017 and December 31, 2016 were \$3,789 and \$4,078, respectively.

In March 2016, as part of the secondary offering, the Company paid \$5,900 of fees incurred on behalf of the Selling Stockholders as defined in Note 15. “Common Stock.”

#### 18. Commitments and Contingencies

The Company is periodically involved in claims, litigation and various legal matters that arise in the ordinary course of business. The Company accrues for litigation exposure when it is probable that future costs will be incurred and such costs can be reasonably estimated. Any resulting adjustments, which could be material, are recorded in the period the adjustments are identified. As of September 30, 2017, the Company does not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for claims, litigation and various legal matters, if any, has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, the Company’s financial condition, results of operations or cash flows could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

In addition, the Company conducts and monitors environmental investigations and remedial actions at certain locations. As of September 30, 2017 and December 31, 2016, the undiscounted reserve for environmental investigation and remediation was approximately \$4,742 and \$5,490, respectively. The Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse impact on its financial condition, results of operations or cash flows; however, no assurances can be given in this regard.

The Company is participating in a voluntary foreign tax amnesty program, which allows for the settlement of certain tax matters at reduced amounts. During the three months ended September 30, 2017, the Company incurred charges of \$3,121, of which \$2,886 was a non-cash charge offset by the utilization of tax net operating loss carryforwards, resulting in a net \$235 expense impact to net income. The Company does not expect to incur additional material losses under this program, however the settlement of these tax matters is outstanding and the outcome of the program is uncertain.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

19. Segment Reporting

The Company has determined that it operates in four reportable segments, North America, Europe, Asia Pacific and South America. The Company's principal products within each of these segments are sealing, fuel and brake delivery, fluid transfer and anti-vibration systems. The Company evaluates segment performance based on segment profit before tax. The results of each segment include certain allocations for general, administrative, interest and other shared costs.

Certain financial information on the Company's reportable segments was as follows:

|                                         | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|-----------------------------------------|-------------------------------------|-----------|------------------------------------|-------------|
|                                         | 2017                                | 2016      | 2017                               | 2016        |
| Sales to external customers             |                                     |           |                                    |             |
| North America                           | \$437,406                           | \$450,795 | \$1,403,270                        | \$1,361,183 |
| Europe                                  | 254,399                             | 242,773   | 776,346                            | 794,411     |
| Asia Pacific                            | 148,493                             | 137,174   | 421,926                            | 380,483     |
| South America                           | 28,718                              | 24,914    | 78,670                             | 61,380      |
| Consolidated                            | \$869,016                           | \$855,656 | \$2,680,212                        | \$2,597,457 |
| Intersegment sales                      |                                     |           |                                    |             |
| North America                           | \$3,285                             | \$3,409   | \$10,108                           | \$9,908     |
| Europe                                  | 3,861                               | 3,600     | 11,188                             | 10,081      |
| Asia Pacific                            | 1,566                               | 1,426     | 3,876                              | 3,925       |
| South America                           | 2                                   | 1         | 11                                 | 5           |
| Eliminations                            | (8,714 )                            | (8,436 )  | (25,183 )                          | (23,919 )   |
| Consolidated                            | \$—                                 | \$—       | \$—                                | \$—         |
| Segment profit (loss)                   |                                     |           |                                    |             |
| North America                           | \$44,214                            | \$55,031  | \$170,971                          | \$169,857   |
| Europe                                  | (9,024 )                            | (5,632 )  | (20,633 )                          | (7,510 )    |
| Asia Pacific                            | 3,050                               | 3,037     | 11,036                             | 6,073       |
| South America                           | (4,944 )                            | (3,265 )  | (11,504 )                          | (16,685 )   |
| Consolidated income before income taxes | \$33,296                            | \$49,171  | \$149,870                          | \$151,735   |

|                        | September 30,<br>2017 | December 31,<br>2016 |
|------------------------|-----------------------|----------------------|
| Segment assets         |                       |                      |
| North America          | \$ 1,030,321          | \$ 985,809           |
| Europe                 | 648,588               | 582,385              |
| Asia Pacific           | 653,688               | 611,849              |
| South America          | 57,794                | 46,125               |
| Eliminations and other | 245,205               | 265,534              |
| Consolidated           | \$ 2,635,596          | \$ 2,491,702         |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition. Our historical results may not indicate, and should not be relied upon as an indication of, our future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. See "Forward-Looking Statements" below for a discussion of risks associated with reliance on forward-looking statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed below and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the U.S. Securities and Exchange Commission ("2016 Annual Report") see Item 1A. "Risk Factors." The following should be read in conjunction with our 2016 Annual Report and the other information included herein. Our discussion of trends and conditions supplements and updates such discussion included in our 2016 Annual Report. References in this quarterly report on Form 10-Q (the "Report") to "we," "our," or the "Company" refer to Cooper-Standard Holdings Inc., together with its subsidiaries.

Executive Overview

Our Business

We design, manufacture and sell sealing, fuel and brake delivery, fluid transfer, and anti-vibration systems for use in passenger vehicles and light trucks manufactured by global automotive original equipment manufacturers ("OEMs") and replacement markets. We operate our business along four segments: North America, Europe, Asia Pacific and South America. We are primarily a "Tier 1" supplier, with approximately 84% of our sales in 2016 made directly to major OEMs.

Recent Trends and Conditions

General Economic Conditions and Outlook

The global automotive industry is susceptible to uncertain economic conditions that could adversely impact new vehicle demand. Business conditions may vary significantly from period to period or region to region.

In North America, while the U.S. economy has been relatively stable, market indicators show signs of softening consumer demand. The mix of vehicles produced continues to shift away from passenger cars into crossover utility vehicles and light trucks.

In Europe, the continuing economic recovery is driving increased demand for light vehicles. Certain countries within the European region are faced with an uncertain and potentially volatile geopolitical climate, which could impact consumer confidence and economic growth.

The Chinese government continues to manage the nation's economy with a goal of sustaining growth. Overall economic growth, consumer preferences and an expanding middle class in China continue to drive crossover utility vehicle demand higher, while demand for passenger cars is expected to decline slightly year over year.

Finally, due to continued volatility in Brazil, we remain cautious about consumer confidence and vehicle demand in this region.

Production Levels

Our business is directly affected by the automotive vehicle production rates in North America, Europe, Asia Pacific and South America. New vehicle demand is driven by macroeconomic and other factors, such as interest rates, manufacturer and dealer sales incentives, fuel prices, consumer confidence, employment levels, income growth trends and government and tax incentives. The industry could face uncertainties that may adversely impact consumer demand for vehicles as well as the future production environment.

In North America, light vehicle inventory in the U.S. had risen significantly above normalized levels at the end of the second quarter of 2017. Production cuts by OEMs in the third quarter of 2017 were successful in bringing inventory closer to normalized levels and more aligned with consumer demand. Even in view of lower inventory levels, we expect overall light vehicle production in the fourth quarter of 2017 to be slightly lower than in the fourth quarter of 2016, driven largely by continued lower production of passenger cars. European light vehicle production has seen modest year-over-year growth through the first three quarters of 2017 and we expect this trend to continue through the fourth quarter of 2017. In Asia Pacific, we expect light vehicle production to continue to grow sequentially at modest

levels through the remainder of 2017, driven mainly by China.

Light vehicle production in certain regions for the three and nine months ended September 30, 2017 and 2016 was:

|                             | Three Months Ended |                     |          | Nine Months Ended |                     |          |
|-----------------------------|--------------------|---------------------|----------|-------------------|---------------------|----------|
|                             | September 30,      |                     |          | September 30,     |                     |          |
| (In millions of units)      | 2017               | 2016 <sup>(1)</sup> | % Change | 2017              | 2016 <sup>(1)</sup> | % Change |
| North America               | 4.0                | 4.4                 | (9.7)%   | 13.0              | 13.5                | (3.7)%   |
| Europe                      | 5.0                | 4.7                 | 5.2%     | 16.6              | 16.2                | 2.4%     |
| Asia Pacific <sup>(2)</sup> | 11.9               | 11.5                | 3.5%     | 36.0              | 34.7                | 3.6%     |
| South America               | 0.9                | 0.7                 | 26.1%    | 2.4               | 2.0                 | 20.9%    |

(1) Production data based on IHS Automotive, October 2017.

(2) Includes Greater China units of 6.4 for both the three months ended September 30, 2017 and 2016, and 19.5 and 19.0 for the nine months ended September 30, 2017 and 2016, respectively.

#### Industry Overview

Competition in the automotive supplier industry is intense and has increased in recent years as OEMs have demonstrated a preference for stronger relationships with fewer suppliers. Because of a growing emphasis on global vehicle platforms, automotive suppliers with a global manufacturing footprint capable of fully servicing customers around the world will typically have a competitive advantage over smaller, regional competitors. This dynamic is likely to result in further consolidation of competing suppliers within our industry over time.

OEMs have shifted some research and development, design and testing responsibility to suppliers, while at the same time shortening new product cycle times. To remain competitive, suppliers must have state-of-the-art engineering and design capabilities and must be able to continuously improve their engineering, design and manufacturing processes to effectively service the customer. Suppliers are increasingly expected to collaborate on, or assume the product design and development of, key automotive components and to provide innovative solutions to meet evolving technologies aimed at improved emissions and fuel economy.

Increased competitiveness in the industry, as well as customer focus on costs, has resulted in pressure on suppliers for price reductions, reducing the overall profitability of the industry. Consolidations and market share shifts among vehicle manufacturers continue to put additional pressures on the supply chain. These pricing and market pressures will continue to drive our focus on reducing our overall cost structure through continuous improvement initiatives, capital redeployment, restructuring and other cost management processes.

In addition to the above, other factors will present opportunities for automotive suppliers who are positioned for the changing environment, including autonomous and connected vehicles, evolving government regulation, and consumer preference for environmentally friendly products and technology, including hybrid and electric vehicle architectures.

## Results of Operations

|                                                          | Three Months Ended September 30, |           |             | Nine Months Ended September 30, |             |            |
|----------------------------------------------------------|----------------------------------|-----------|-------------|---------------------------------|-------------|------------|
|                                                          | 2017                             | 2016      | Change      | 2017                            | 2016        | Change     |
|                                                          | (dollar amounts in thousands)    |           |             |                                 |             |            |
| Sales                                                    | \$869,016                        | \$855,656 | \$13,360    | \$2,680,212                     | \$2,597,457 | \$82,755   |
| Cost of products sold                                    | 718,187                          | 690,984   | 27,203      | 2,187,058                       | 2,101,000   | 86,058     |
| Gross profit                                             | 150,829                          | 164,672   | (13,843 )   | 493,154                         | 496,457     | (3,303 )   |
| Selling, administration & engineering expenses           | 94,145                           | 92,368    | 1,777       | 267,883                         | 268,498     | (615 )     |
| Amortization of intangibles                              | 3,432                            | 3,457     | (25 )       | 10,563                          | 9,974       | 589        |
| Impairment charges                                       | —                                | —         | —           | 4,270                           | —           | 4,270      |
| Restructuring charges                                    | 9,909                            | 10,430    | (521 )      | 28,220                          | 33,468      | (5,248 )   |
| Other operating loss                                     | —                                | —         | —           | —                               | 155         | (155 )     |
| Operating profit                                         | 43,343                           | 58,417    | (15,074 )   | 182,218                         | 184,362     | (2,144 )   |
| Interest expense, net of interest income                 | (10,256 )                        | (10,114 ) | (142 )      | (31,788 )                       | (29,861 )   | (1,927 )   |
| Equity in earnings of affiliates                         | 660                              | 1,386     | (726 )      | 3,735                           | 5,823       | (2,088 )   |
| Loss on refinancing and extinguishment of debt           | —                                | —         | —           | (1,020 )                        | —           | (1,020 )   |
| Other expense, net                                       | (451 )                           | (518 )    | 67          | (3,275 )                        | (8,589 )    | 5,314      |
| Income before income taxes                               | 33,296                           | 49,171    | (15,875 )   | 149,870                         | 151,735     | (1,865 )   |
| Income tax expense                                       | 7,838                            | 12,525    | (4,687 )    | 40,258                          | 43,312      | (3,054 )   |
| Net income                                               | 25,458                           | 36,646    | (11,188 )   | 109,612                         | 108,423     | 1,189      |
| Net income attributable to noncontrolling interests      | (818 )                           | (284 )    | (534 )      | (2,810 )                        | (549 )      | (2,261 )   |
| Net income attributable to Cooper-Standard Holdings Inc. | \$24,640                         | \$36,362  | \$(11,722 ) | \$106,802                       | \$107,874   | \$(1,072 ) |

Three Months Ended September 30, 2017 Compared with Three Months Ended September 30, 2016

**Sales.** Sales for the three months ended September 30, 2017 increased \$13.4 million, or 1.6%, compared to the three months ended September 30, 2016, primarily driven by the acquisition of AMI Industries' fuel and brake business, consolidation of a previously unconsolidated joint venture and favorable foreign exchange, partially offset by customer price reductions.

**Cost of Products Sold.** Cost of products sold is primarily comprised of material, labor, manufacturing overhead, depreciation and amortization and other direct operating expenses. Cost of products sold for the three months ended September 30, 2017 increased \$27.2 million, or 3.9%, compared to the three months ended September 30, 2016. Cost of products sold was impacted by commodity price pressures, transactional foreign exchange pressure, general inflation and acquisitions. These items were partially offset by continuous improvement and material cost savings. Materials comprise the largest component of our cost of products sold and represented approximately 50% of the total cost of products sold for the three months ended September 30, 2017 and 2016, respectively.

**Gross Profit.** Gross profit for the three months ended September 30, 2017 decreased \$13.8 million, or 8.4%, compared to the three months ended September 30, 2016. As a percentage of sales, gross profit was 17.4% and 19.2% for the three months ended September 30, 2017 and 2016, respectively. The decrease in gross profit was driven primarily by customer price reductions, commodity price pressures, and unfavorable vehicle production mix. These items were partially offset by continuous improvement, and material cost savings.

**Selling, Administration and Engineering.** Selling, administration and engineering expense for the three months ended September 30, 2017 was \$94.1 million, or 10.8% of sales, compared to \$92.4 million, or 10.8% of sales, for the three months ended September 30, 2016. Selling, administration and engineering expense for the three months ended September 30, 2017 increased as a result of non-cash settlement charges relating to the wind-up of our U.K. pension plan of \$5.7 million and investments to support growth and innovation, partially offset by lower compensation related

costs.

Restructuring. Restructuring charges for the three months ended September 30, 2017 decreased \$0.5 million compared to the three months ended September 30, 2016. The decrease was primarily driven by lower restructuring expenses related to our

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European initiatives of \$3.4 million, partially offset by higher restructuring charges attributed to North America and Asia Pacific of \$2.9 million.

Other Expense, Net. Other expense for the three months ended September 30, 2017 decreased \$0.1 million compared to the three months ended September 30, 2016, primarily due to other miscellaneous income, partially offset by increased foreign currency losses.

Income Tax Expense. Income tax expense for the three months ended September 30, 2017 was \$7.8 million on earnings before income taxes of \$33.3 million. This compares to income tax expense of \$12.5 million on earnings before income taxes of \$49.2 million for the same period of 2016. The effective tax rate for the three months ended September 30, 2017 compared to the three months ended September 30, 2016 was lower primarily due to nonrecurring discrete items, including the impact of participating in a foreign tax amnesty program, recorded in the three months ended September 30, 2017. The income tax rate for the three months ended September 30, 2017 varied from statutory rates primarily due to the impact of income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions to the extent not offset by other categories of income, tax credits, income tax incentives, excess tax benefits related to share-based compensation and other permanent items.

Nine Months Ended September 30, 2017 Compared with Nine Months Ended September 30, 2016

Sales. Sales for the nine months ended September 30, 2017 increased \$82.8 million, or 3.2%, compared to the nine months ended September 30, 2016, primarily due to improved volume and mix in all regions, the acquisition of AMI Industries' fuel and brake business and consolidation of a previously unconsolidated joint venture, partially offset by customer price reductions and unfavorable foreign exchange.

Cost of Products Sold. Cost of products sold for the nine months ended September 30, 2017 increased \$86.1 million, or 4.1%, compared to the nine months ended September 30, 2016. Cost of products sold increased primarily due to inflation, commodity price pressures, higher production volumes and acquisitions. These items were partially offset by continuous improvement and material cost savings. Materials comprise the largest component of our cost of products sold and represented approximately 51% and 50% of the total cost of products sold for the nine months ended September 30, 2017 and 2016, respectively.

Gross Profit. Gross profit for the nine months ended September 30, 2017 decreased \$3.3 million, or 0.7%, compared to the nine months ended September 30, 2016. The decrease in gross profit was driven primarily by inflation, commodity price pressures and unfavorable vehicle production mix. As a percentage of sales, gross profit was 18.4% and 19.1% for the nine months ended September 30, 2017 and 2016, respectively.

Selling, Administration and Engineering. Selling, administration and engineering expense for the nine months ended September 30, 2017 was \$267.9 million or 10.0% of sales, compared to \$268.5 million, or 10.3% of sales, for the nine months ended September 30, 2016. Selling, administration and engineering expense for the nine months ended September 30, 2017 was favorable as a result of lower compensation related costs, partially offset by non-cash settlement charges relating to the wind-up of our U.K. pension plan of \$5.7 million, and investments to support growth and innovation.

Impairment charges. Impairment charges of \$4.3 million for the nine months ended September 30, 2017 resulted from our decision to divest two of our inactive European sites based on current real estate market conditions.

Restructuring. Restructuring charges for the nine months ended September 30, 2017 decreased \$5.2 million compared to the nine months ended September 30, 2016. The decrease was primarily driven by lower expenses related to our European initiatives of \$7.8 million, partially offset by higher restructuring charges attributed to North America and Asia Pacific of \$2.6 million.

Interest Expense, Net. Net interest expense for the nine months ended September 30, 2017 increased \$1.9 million compared to the nine months ended September 30, 2016, which resulted primarily from higher interest rates related to the new Senior Notes.

Loss on Refinancing and Extinguishment of Debt. Loss on refinancing and extinguishment of debt of \$1.0 million for the nine months ended September 30, 2017 resulted from the partial write off of new and unamortized debt issuance costs and unamortized original issue discount related to the amendment of the Term Loan Facility.

Other Expense, Net. Other expense for the nine months ended September 30, 2017 decreased \$5.3 million compared to the nine months ended September 30, 2016. The decrease was primarily due to the nonrecurrence of underwriting fees related to the secondary offering of \$5.9 million recorded in the nine months ended September 30, 2016 and other miscellaneous income, partially offset by increased foreign currency losses.

**Income Tax Expense.** Income tax expense for the nine months ended September 30, 2017 was \$40.3 million on earnings before income taxes of \$149.9 million. This compares to income tax expense of \$43.3 million on earnings before income taxes of \$151.7 million for the same period of 2016. The effective tax rate for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 was lower primarily due to nonrecurring discrete items, including the impact of participating in a foreign tax amnesty program, recorded in the nine months ended September 30, 2017. The income tax rate for the nine months ended September 30, 2017 varied from statutory rates primarily due to the impact of income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions to the extent not offset by other categories of income, tax credits, income tax incentives, excess tax benefits related to share-based compensation and other permanent items.

### Segment Results of Operations

The following table presents sales and segment profit (loss) for each of the reportable segments for the three and nine months ended September 30, 2017 and 2016:

|                                         | Three Months Ended September 30, |           |            | Nine Months Ended September 30, |             |           |
|-----------------------------------------|----------------------------------|-----------|------------|---------------------------------|-------------|-----------|
|                                         | 2017                             | 2016      | Change     | 2017                            | 2016        | Change    |
|                                         | (dollar amounts in thousands)    |           |            |                                 |             |           |
| Sales to external customers             |                                  |           |            |                                 |             |           |
| North America                           | \$437,406                        | \$450,795 | \$(13,389) | \$1,403,270                     | \$1,361,183 | \$42,087  |
| Europe                                  | 254,399                          | 242,773   | 11,626     | 776,346                         | 794,411     | (18,065)  |
| Asia Pacific                            | 148,493                          | 137,174   | 11,319     | 421,926                         | 380,483     | 41,443    |
| South America                           | 28,718                           | 24,914    | 3,804      | 78,670                          | 61,380      | 17,290    |
| Consolidated                            | \$869,016                        | \$855,656 | \$13,360   | \$2,680,212                     | \$2,597,457 | \$82,755  |
| Segment profit (loss)                   |                                  |           |            |                                 |             |           |
| North America                           | \$44,214                         | \$55,031  | \$(10,817) | \$170,971                       | \$169,857   | \$1,114   |
| Europe                                  | (9,024)                          | (5,632)   | (3,392)    | (20,633)                        | (7,510)     | (13,123)  |
| Asia Pacific                            | 3,050                            | 3,037     | 13         | 11,036                          | 6,073       | 4,963     |
| South America                           | (4,944)                          | (3,265)   | (1,679)    | (11,504)                        | (16,685)    | 5,181     |
| Consolidated income before income taxes | \$33,296                         | \$49,171  | \$(15,875) | \$149,870                       | \$151,735   | \$(1,865) |

### Three Months Ended September 30, 2017 Compared with Three Months Ended September 30, 2016

**North America.** Sales for the three months ended September 30, 2017 decreased \$13.4 million, or 3.0%, compared to the three months ended September 30, 2016, primarily due to decreased volume and unfavorable mix and customer price reductions, partially offset by the acquisition of AMI Industries' fuel and brake business. Segment profit for the three months ended September 30, 2017 decreased by \$10.8 million, primarily due to lower volume and unfavorable mix, customer price reductions, and continued investments to support innovation, partially offset by operational efficiencies and net material cost savings.

**Europe.** Sales for the three months ended September 30, 2017 increased \$11.6 million, or 4.8%, compared to the three months ended September 30, 2016, primarily due to favorable foreign exchange and improved volume and mix. Segment loss for the three months ended September 30, 2017 increased by \$3.4 million, primarily due to non-cash settlement charges relating to the wind-up of our U.K. pension plan of \$5.7 million and commodity price pressures, partially offset by lower restructuring expense, improved volume and mix and operational efficiencies, including restructuring savings.

**Asia Pacific.** Sales for the three months ended September 30, 2017 increased \$11.3 million, or 8.3%, compared to the three months ended September 30, 2016, primarily due to improved volume and mix and the consolidation of a previously unconsolidated joint venture, partially offset by customer price reductions. Segment profit for the three months ended September 30, 2017 was flat compared to the three months ended September 20, 2016. Continuous improvement and material cost savings were offset by customer price reductions, wage inflation, and higher engineering costs to support growth in the region.

South America. Sales for the three months ended September 30, 2017 increased \$3.8 million, or 15.3%, compared to the three months ended September 30, 2016, primarily due to improved volume and mix and favorable foreign exchange, partially

offset by customer price reductions. Segment loss for the three months ended September 30, 2017 increased by \$1.7 million primarily due to a \$3.1 million pre-tax charge for costs associated with a foreign tax amnesty program, of which \$0.2 million was paid in cash, and customer price reductions, partially offset by continuous improvement, volume and mix.

#### Nine Months Ended September 30, 2017 Compared with Nine Months Ended September 30, 2016

North America. Sales for the nine months ended September 30, 2017 increased \$42.1 million, or 3.1%, compared to the nine months ended September 30, 2016, primarily due to improved volume and mix and the acquisition of AMI Industries' fuel and brake business, partially offset by customer price reductions. Segment profit for the nine months ended September 30, 2017 increased by \$1.1 million, primarily due to continuous improvement, net material cost savings, favorable foreign exchange and acquisitions, partially offset by customer price reductions, the impact of vehicle production mix and continued investments to support innovation.

Europe. Sales for the nine months ended September 30, 2017 decreased \$18.1 million, or 2.3%, compared to the nine months ended September 30, 2016, primarily due to customer price reductions and unfavorable foreign exchange, partially offset by improvement in volume and mix. Segment loss for the nine months ended September 30, 2017 increased by \$13.1 million, primarily due to non-cash settlement charges relating to the wind-up of our U.K. pension plan of \$5.7 million, impairment charges recorded in the first quarter of 2017, customer price reductions, commodity price pressure, product mix and foreign exchange, partially offset by lower restructuring expense and operational efficiencies, including restructuring savings.

Asia Pacific. Sales for the nine months ended September 30, 2017 increased \$41.4 million, or 10.9% compared to the nine months ended September 30, 2016, primarily due to the consolidation of a previously unconsolidated joint venture and improved volume and mix, partially offset by unfavorable foreign exchange and customer price reductions. Segment profit for the nine months ended September 30, 2017 increased by \$5.0 million primarily driven by continuous improvement and material cost savings, partially offset by customer price reductions, higher engineering costs to support growth in the region and wage inflation.

South America. Sales for the nine months ended September 30, 2017 increased \$17.3 million, or 28.2%, compared to the nine months ended September 30, 2016, primarily due to improved volume and mix and favorable foreign exchange. Segment loss for the nine months ended September 30, 2017 improved by \$5.2 million primarily due to continuous improvement and net material cost savings and improved volume and mix, partially offset by a \$3.1 million pre-tax charge for costs associated with a foreign tax amnesty program, of which \$0.2 million was paid in cash.

#### Liquidity and Capital Resources

##### Short and Long-Term Liquidity Considerations and Risks

We intend to fund our ongoing working capital, capital expenditures, debt service and other funding requirements through a combination of cash flows from operations, cash on hand, borrowings under our senior asset-based revolving credit facility ("ABL Facility") and receivables factoring. The Company utilizes intercompany loans and equity contributions to fund its worldwide operations. There may be country-specific regulations which may restrict or result in increased costs in the repatriation of these funds. See Note 7. "Debt" to the unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Report for additional information.

Based on our current and anticipated levels of operations and the condition in our markets and industry, we believe that our cash flows from operations, cash on hand, borrowings under our ABL Facility and receivables factoring will enable us to meet our ongoing working capital, capital expenditures, debt service and other funding requirements for the next twelve months. However, our ability to fund our working capital needs, debt payments and other obligations, and to comply with the financial covenants, including borrowing base limitations, under our ABL Facility, depend on our future operating performance and cash flow and many factors outside of our control, including the costs of raw materials, the state of the overall automotive industry and financial and economic conditions and other factors.

##### Cash Flows

Operating Activities. Net cash provided by operations was \$104.6 million for the nine months ended September 30, 2017, compared to \$182.0 million for the nine months ended September 30, 2016. The change was primarily driven by an increase in receivables due to customer payment timing and repurchase of receivables as part of the transition to

a pan-European factoring program, increased inventory and higher payments related to incentive compensation, partially offset by increased cash earnings and reduced cash paid for restructuring and taxes.

Investing Activities. Net cash used in investing activities was \$136.7 million for the nine months ended September 30, 2017, compared to \$150.7 million for the nine months ended September 30, 2016. Cash used in investing activities consisted

primarily of capital spending of \$137.4 million and \$116.8 million for the nine months ended September 30, 2017 and 2016, respectively. We anticipate that we will spend approximately \$165 million to \$175 million on capital expenditures in 2017.

Financing Activities. Net cash used in financing activities totaled \$52.1 million for the nine months ended September 30, 2017, compared to \$41.3 million for the nine months ended September 30, 2016. The increase was primarily due to increased repurchase activity under our share repurchase program, certain paydowns of foreign bank loans in 2017 and decreased warrant exercises.

#### Share Repurchase Program

In March 2016, our Board of Directors approved a securities repurchase program (the “Program”) authorizing us to repurchase, in the aggregate, up to \$125 million of our outstanding common stock or warrants to purchase common stock. Under the Program, repurchases may be made on the open market or through private transactions, as determined by our management and in accordance with prevailing market conditions and federal securities laws and regulations.

In March 2016, we purchased \$23.8 million of our common stock (350,000 shares at \$68.00 per share) from the Selling Stockholders (as described in Note 15. “Common Stock” to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report). In 2017, we repurchased \$31.5 million of our common stock (306,072 shares at an average purchase price of \$102.76 per share, excluding commissions) in the open market, of which \$30.7 million was settled in cash during the nine months ended September 30, 2017. We expect to fund any future repurchases from cash on hand and future cash flows from operations. We are not obligated to acquire a particular amount of securities, and the Program may be discontinued at any time at our discretion. As of September 30, 2017, we have approximately \$69.7 million of repurchase authorization remaining under the Program.

#### Non-GAAP Financial Measures

In evaluating our business, management considers EBITDA and Adjusted EBITDA to be key indicators of our operating performance. Our management also uses EBITDA and Adjusted EBITDA:

- because similar measures are utilized in the calculation of the financial covenants and ratios contained in our financing arrangements;
- in developing our internal budgets and forecasts;
- as a significant factor in evaluating our management for compensation purposes;
- in evaluating potential acquisitions;
- in comparing our current operating results with corresponding historical periods and with the operational performance of other companies in our industry; and
- in presentations to the members of our board of directors to enable our board of directors to have the same measurement basis of operating performance as is used by management in their assessments of performance and in forecasting and budgeting for our company.

In addition, we believe EBITDA and Adjusted EBITDA and similar measures are widely used by investors, securities analysts and other interested parties in evaluating our performance. We define Adjusted EBITDA as net income (loss) plus income tax expense (benefit), interest expense, net of interest income, depreciation and amortization or EBITDA, as adjusted for items that management does not consider to be reflective of our core operating performance. These adjustments include, but are not limited to, restructuring costs, impairment charges, non-cash fair value adjustments and acquisition-related costs.

EBITDA and Adjusted EBITDA are not financial measurements recognized under U.S. GAAP, and when analyzing our operating performance, investors should use EBITDA and Adjusted EBITDA as a supplement to, and not as alternatives for, net income (loss), operating income, or any other performance measure derived in accordance with U.S. GAAP, nor as an alternative to cash flow from operating activities as a measure of our liquidity. EBITDA and Adjusted EBITDA have limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of our results of operations as reported under U.S. GAAP. These limitations include:

- they do not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;

they do not reflect interest expense or cash requirements necessary to service interest or principal payments under our ABL Facility, Term Loan Facility and Senior Notes;  
they do not reflect certain tax payments that may represent a reduction in cash available to us;  
although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements;  
and

other companies, including companies in our industry, may calculate these measures differently and, as the number of differences in the way companies calculate these measures increases, the degree of their usefulness as a comparative measure correspondingly decreases.

In addition, in evaluating Adjusted EBITDA, it should be noted that in the future, we may incur expenses similar to the adjustments in the below presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by special items.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA from net income, which is the most comparable financial measure in accordance with U.S. GAAP:

|                                                                        | Three Months<br>Ended September<br>30, |           | Nine Months Ended<br>September 30, |           |
|------------------------------------------------------------------------|----------------------------------------|-----------|------------------------------------|-----------|
|                                                                        | 2017                                   | 2016      | 2017                               | 2016      |
|                                                                        | (dollar amounts in thousands)          |           |                                    |           |
| Net income attributable to Cooper-Standard Holdings Inc.               | \$24,640                               | \$36,362  | \$106,802                          | \$107,874 |
| Income tax expense                                                     | 7,838                                  | 12,525    | 40,258                             | 43,312    |
| Interest expense, net of interest income                               | 10,256                                 | 10,114    | 31,788                             | 29,861    |
| Depreciation and amortization                                          | 34,368                                 | 31,325    | 99,413                             | 91,699    |
| EBITDA                                                                 | \$77,102                               | \$90,326  | \$278,261                          | \$272,746 |
| Restructuring charges                                                  | 9,909                                  | 10,430    | 28,220                             | 33,468    |
| Settlement charges <sup>(1)</sup>                                      | 5,902                                  | —         | 5,902                              | —         |
| Foreign tax amnesty program <sup>(2)</sup>                             | 3,121                                  | —         | 3,121                              | —         |
| Impairment charges <sup>(3)</sup>                                      | —                                      | —         | 4,270                              | —         |
| Loss on refinancing and extinguishment of debt <sup>(4)</sup>          | —                                      | —         | 1,020                              | —         |
| Secondary offering underwriting fees and other expenses <sup>(5)</sup> | —                                      | —         | —                                  | 6,500     |
| Other                                                                  | —                                      | —         | —                                  | 155       |
| Adjusted EBITDA                                                        | \$96,034                               | \$100,756 | \$320,794                          | \$312,869 |

(1) Non-cash settlement charges of \$5.7 million and administrative fees of \$0.2 million relating to the U.K. pension plan.

(2) Relates to indirect taxes recorded in cost of products sold.

(3) Impairment charges related to fixed assets.

(4) Loss on refinancing and extinguishment of debt related to the May 2017 amendment of the Term Loan Facility.

(5) Fees and other expenses associated with the March 2016 secondary offering.

#### Contingencies and Environmental Matters

The information concerning contingencies, including environmental contingencies and the amount currently held in reserve for environmental matters, contained in Note 18. "Commitments and Contingencies" to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report, is incorporated herein by references.

#### Recently Issued Accounting Pronouncements

See Note 1. "Overview" to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

#### Critical Accounting Estimates

There have been no significant changes in our critical accounting estimates during the nine months ended September 30, 2017.

#### Forward-Looking Statements

This quarterly report on Form 10-Q includes "forward-looking statements" within the meaning of U.S. federal securities laws, and we intend that such forward-looking statements be subject to the safe harbor created thereby. Our use of words "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," or future or conditional verbs, such as "should," "could," "would," or "may," and variations of such words or similar expressions are intended to identify



forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that these expectations, beliefs, and projections will be achieved. Forward-looking statements are not guarantees of future performance and are subject to significant risks and uncertainties and other factors that may cause actual results or achievements to be materially different from the future results or achievements expressed or implied by the forward-looking statements. Among other items, such factors may include: prolonged or material contractions in automotive sales and production volumes; our inability to realize sales represented by awarded business; escalating pricing pressures; loss of large customers or significant platforms; our ability to successfully compete in the automotive parts industry; availability and increasing volatility in costs of manufactured components and raw materials; disruption in our supply base; possible variability of our working capital requirements; risks associated with our international operations; foreign currency exchange rate fluctuations; our ability to control the operations of our joint ventures for our sole benefit; our substantial amount of indebtedness; our ability to obtain adequate financing sources in the future; operating and financial restrictions imposed on us under our debt instruments; the underfunding of our pension plans; significant changes in discount rates and the actual return on pension assets; effectiveness of continuous improvement programs and other cost savings plans; manufacturing facility closings or consolidation; our ability to execute new program launches; our ability to meet customers' needs for new and improved products; the possibility that our acquisitions and divestitures may not be successful; product liability, warranty and recall claims brought against us; laws and regulations, including environmental, health and safety laws and regulations; legal proceedings, claims or investigations against us; work stoppages or other labor disruptions; the ability of our intellectual property to withstand legal challenges; cyber-attacks or other disruptions in our information technology systems; the possible volatility of our annual effective tax rate; the possibility of future impairment charges to our goodwill and long-lived assets; and our dependence on our subsidiaries for cash to satisfy our obligations.

You should not place undue reliance on these forward-looking statements. We undertake no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events or otherwise, except where we are expressly required to do so by law.

This quarterly report on Form 10-Q also contains estimates and other information that is based on industry publications, surveys, and forecasts. This information involves a number of assumptions and limitations, and we have not independently verified the accuracy or completeness of the information.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the quantitative and qualitative information about the Company's market risk from those previously disclosed in the Company's 2016 Annual Report.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

The Company has evaluated, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Based on that evaluation, the Company's Chief Executive Officer along with the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report.

#### Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

## PART II — OTHER INFORMATION

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## (c) Purchases of Equity Securities By the Issuer and Affiliated Purchasers

As discussed in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Share Repurchase Program,” and Note 15. “Common Stock” to the unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Report, we have approximately \$69.7 million of repurchase authorization remaining under our ongoing common stock share repurchase program.

A summary of our shares of common stock repurchased during the three months ended September 30, 2017 is shown below:

| Period                                       | Total<br>Number of<br>Shares<br>Purchased <sup>(1)</sup> | Average<br>Price<br>Paid per<br>Share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Approximate<br>Dollar Value<br>of Shares<br>that May<br>Yet be<br>Purchased<br>Under the<br>Program (in<br>millions) |
|----------------------------------------------|----------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| July 1, 2017 through July 31, 2017           | 71,671                                                   | \$ 103.63                             | 71,663                                                                                                   | \$ 84.5                                                                                                              |
| August 1, 2017 through August 31, 2017       | 76,038                                                   | \$ 100.56                             | 76,000                                                                                                   | \$ 76.8                                                                                                              |
| September 1, 2017 through September 30, 2017 | 66,003                                                   | \$ 107.02                             | 66,000                                                                                                   | \$ 69.7                                                                                                              |
| Total                                        | 213,712                                                  | \$ 103.58                             | 213,663                                                                                                  | \$ 69.7                                                                                                              |

<sup>(1)</sup> Includes 49 shares repurchased by the Company to satisfy employee tax withholding requirements due upon the vesting of restricted stock awards.

Item 6. Exhibits

| Exhibit No.                                                                                        | Description of Exhibit                                                                                                                          |
|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1*                                                                                              | Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002). |
| 31.2*                                                                                              | Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002). |
| 32**                                                                                               | Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                         |
| 101.INS***                                                                                         | XBRL Instance Document                                                                                                                          |
| 101.SCH***                                                                                         | XBRL Taxonomy Extension Schema Document                                                                                                         |
| 101.CAL***                                                                                         | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                           |
| 101.DEF***                                                                                         | XBRL Taxonomy Extension Definition Linkbase Document                                                                                            |
| 101.LAB***                                                                                         | XBRL Taxonomy Label Linkbase Document                                                                                                           |
| 101.PRE***                                                                                         | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                          |
| * Filed with this Report.                                                                          |                                                                                                                                                 |
| ** Furnished with this Report.                                                                     |                                                                                                                                                 |
| *** Submitted electronically with this Report in accordance with the provisions of Regulation S-T. |                                                                                                                                                 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COOPER-STANDARD HOLDINGS INC.

|                  |                                                                               |
|------------------|-------------------------------------------------------------------------------|
| November 1, 2017 | /S/ JONATHAN P. BANAS                                                         |
| Date             | Jonathan P. Banas<br>Chief Financial Officer<br>(Principal Financial Officer) |

# INDEX TO EXHIBITS

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| 101.PRE***  | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                 |
| *           | Filed with this Report.                                                                                                                                |
| **          | Furnished with this Report.                                                                                                                            |
| ***         | Submitted electronically with this Report in accordance with the provisions of Regulation S-T.                                                         |